This was the situation in which Frontier found itself. Faced with a choice between violating the Commission's orders by not reinitializing its tandem transport rates or computing an exogenous cost change that went in the opposite direction of what the Commission expected, Frontier chose to reinitialize its tandem transport rates and accept the undesirable exogenous cost change.

In the *Designation Order*, the Commission confirms that it had not anticipated the situation in which Frontier found itself. The Commission articulates a procedure that would have mitigated this situation, tentatively concluding:

> that to satisfy the Access Charge Reform Order, the price cap LECs should recalculate tandem-switched transport rates using the same data that was used when they were first established in 1993, except using actual minutes of use for circuit loading, rather than assuming 9000 minutes of use per month. They then should compare those rates to the 1993 rates to determine the amount of the TIC that was attributable to using the 9000 minutes of use assumption. They should then determine what percentage of the original TIC was therefore attributable to the 9000 minutes of use assumption and make an exogenous adjustment to their June 30, 1997 TIC SBI by that percentage. LECs should make a corresponding exogenous adjustment to their tandem-switched transport SBIs, based on the percentage of tandem-switched transport revenue attributable to the 9000 minutes of use assumption.[35]

This proposed methodology almost makes sense. One problem with it is that will almost certainly result in a non-zero net exogenous change to TIC and Tandem Transport. If this methodology is slightly modified to identify the exogenous change to the TIC as a dollar amount and create an offsetting exogenous change of the same

35 *Designation Order*, ¶79.

amount but opposite sign to the Tandem Transport band, this method is quite reasonable.

The Commission also seeks:

> comment on whether price cap LECs should be permitted to increase their TIC, or whether they should only be permitted to reduce their TIC. If price cap LECs were not permitted to increase their TIC to reflect actual minutes of use above 9000, then none of the SBIs in the trunking basket would be affected by the use of actual minutes.[36]

Frontier believes that this makes sense, given the Commission's policy of phasing out the TIC. All three Frontier business units have minutes of use over 9000. Frontier would have been happy to simplify its access reform filing by not having an exogenous change for the reinitialization of tandem-switched transport rates.

Unfortunately, the Commission did not articulate this methodology prior to the access reform tariff filings. While Frontier would have been happy to not have an exogenous change because its minutes were greater than 9000, or to have smaller exogenous change by using 1993 data rather than 1996 data, this would not have been in compliance with the Access Reform Order as written. The Commission cannot expect exchange carriers to interpret language citing only "the previous calendar year" to mean use data from 1993. The Commission may require a prospective adjustment to implement such a revised policy, but it may not penalize exchange carriers for following the rules and orders in effect at the time the filing was made.

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[36] *Designation Order*, ¶79.

V. FRONTIER PROPERLY REMOVED FACILITIES COSTS FROM THE TIC.

In the *Designation Order*, the Commission directs "the price cap LECs that no longer have a non-facilities residual TIC ... to recalculate the removal of TIC costs and the facilities-based portion of the TIC using the worksheet provide by AT&T in its December 23 petition."[37] Because both FTR and MN & IA still have a non-facilities residual TIC, this requirement applies only to the Frontier Tier 2 exchange carriers. On Exhibit 7, Frontier provides a side-by-side comparison of the methodology proposed by AT&T, the methodology used by Frontier modified to fit the AT&T format, and a third methodology that arguably might be what the Commission intended. Below the lines specified by AT&T, Frontier shows the impact of each methodology on the allowable TIC revenue in the access reform filing.

Frontier believes that the AT&T method of returning to the June 30, 1997 TIC for all TIC true-up calculations is unnecessarily complex and confusing. If the Commission adopts the AT&T methodology, it will require exchange carriers to restate data from former filings in each filing affecting the TIC until the non-facilities TIC is eliminated. AT&T shows negative exogenous cost changes as positive numbers, requiring positive exogenous cost changes to be shown as negative numbers. This is the opposite of the convention used in the Tariff Review Plan. Most importantly, the AT&T methodology is flawed. It results in an inappropriately large TIC True-Up, with the counter-intuitive

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37 *Designation Order*, ¶90.

result that the Tier 2's allowable TIC revenues after applying the AT&T methodology are greater than their estimated facilities-based costs in the TIC.

AT&T inconsistently ignores the effect of basket level exogenous changes to the Trunking basket on the TIC in the 1997 annual filing, but includes the effect of basket level exogenous changes to the Trunking basket on the TIC in the access reform filing.[38] For the Tier 2's, this inconsistency results in a TIC True-Up amount of $240 thousand, compared to the $215 thousand Frontier filed. This results in allowable TIC revenues of $427 thousand using the AT&T method, compared to Frontier's estimate of $401 thousand of facilities-based costs in the TIC.

In contrast, the method used by Frontier in its access reform filing results in allowable TIC revenues before basket level exogenous changes exactly equal to the estimated facilities based cost in the TIC. Frontier actually started from current (December 31, 1997) TIC revenues. This result can be replicated in the AT&T format by substituting the change in TIC revenues from the annual filing (SUM-1 Line 15 Col E) for the Targeted TIC exogenous change from the annual filing (sum of PCI-1 Line 237c) on AT&T's line 600. The end result allowable TIC revenues differ from the estimated facilities based cost by the impact of the basket level exogenous changes on the TIC. This is equivalent to assuming that the remaining facilities based costs in the TIC should change with whatever exogenous costs there are that occur at the basket level.

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[38] AT&T may be taking the position that all exogenous changes to the Trunking basket in the access reform tariff filings should be targeted to bands, including the TIC. Frontier's calculation of the impact of AT&T's method assumes that the changes Frontier implemented at the basket level will be manually targeted to the TIC when using the AT&T method.

Frontier believes that this is the simplest philosophy to implement. It is consistent with the concept of allowing the remaining facilities based TIC to change with the effect of the X factor and any exogenous costs that may be applicable to the TIC or at the Trunking basket level between now and the total elimination of TIC on January 1, 2000.

Arguably, it may be correct to target the end result of a filing with TIC true-up to have allowable TIC revenues equal to the estimated facilities based costs in the TIC. Such a method is shown in the third column of Exhibit 7. It differs from the method actually used by Frontier only in that the effect of exogenous cost changes applied at the basket level is considered when computing the TIC True-up.

Frontier's method of calculating the TIC True-Up was accurate and should be allowed to stand. The method proposed by AT&T is excessively complex and flawed in detail. The AT&T method should be rejected.

VI. FRONTIER PROPERLY CALCULATED ITS UNIVERSAL SERVICE EXOGENOUS COST ADJUSTMENT.

The Commission permitted exchange carriers to recognize a positive exogenous cost change equal to the amount of new universal service obligation incurred effective January 1, 1998. Price cap exchange carriers were directed to apportion this exogenous adjustment between the Common Line, Trunking, and Interexchange baskets on the basis of end user revenues contained in these baskets. Because the trunking basket contains some bands with no end user revenues, exchange carriers were directed not to increase the SBIs for the bands containing no end user revenues. Instead, the SBIs for the bands containing end user revenues were to be increased "based on the relative end-user interstate revenues generated in each service category."[39]

In the *Designation Order*, the Commission noted that exchange carriers used two methodologies to allocate their universal service obligations:

> The first method relies solely on the interstate end-user revenue reported in Column C of lines 34-47 of FCC Form 457 ... The second method derives price cap basket allocation factors by combining the interstate end-user service category revenue figures summarized on form SUM-1 of the Tariff Review Plan with internal company billing records.[40]

Because these methodologies produced different results, the Commission decided to:

> require all LECs to submit explanations detailing why the methodology each has used more accurately reflects the distribution of interstate end-user revenues across baskets. ... Price Cap LECs must report the interstate end user revenues they derived from each basket during the accounting period they used to calculate their universal service obligation.[41]

Frontier used the first method mentioned by the Commission, the end user revenues actually reported on Form 457, to allocate its universal service obligation. Determining the amount of end user revenues received requires a special study of billing systems to determine which revenues are attributable to end users vis-à-vis carriers. Such a study had to be conducted in order to complete Form 457. Frontier saw no point in expending resources to conduct a second study of end user revenues

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39 *Access Reform Order*, ¶379.

40 *Designation Order*, ¶93.

41 *Id.*, ¶95.

for the access reform tariff filing, when the study of end user revenues that gave rise to Frontier's universal service obligation was readily available.

The end user revenues reported on Form 457 are used to determine a carrier's universal service obligation. Therefore, these revenues are clearly the best method for allocating the universal service obligation. The information used to determine the level of end user revenues to report on Form 457 could also be used to break these revenues down by basket and band. Frontier included a showing of these revenues by basket and band in its access reform tariff filings. In compliance with the *Designation Order's* requirement to report interstate end user revenues by basket, this showing is consolidated for the all Frontier tariff units on Exhibit 8.

In future access tariff filings implementing exogenous cost changes for changing levels of universal service obligation, Frontier proposes to allocate the new universal service obligation to baskets and bands by the revenues reported on the Form 457 used at the time the support obligation changes. The embedded obligation already in rates would be deducted from the new obligation, by basket and band, to get the new universal service exogenous change. This procedure, conceptually similar to the procedure used for years for Long Term Support exogenous cost changes, will automatically true up the recovery of universal service obligation to the basket and band of the end user revenues causing the obligation.

Conclusion

As demonstrated above, Frontier correctly complied with *the Access Reform Order* in its access reform tariff filings. The Commission appears to want to change certain aspects of the *Access Reform Order*, it is free to do so on a prospective basis, but may not retrospectively change the rules and orders in effect at the time that the filing was made.

Respectfully submitted,

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February 27, 1998

Direct Case of the Frontier Telephone Companies

Quantification of Demand Quantities Required by Paragraph 17 of the Designation Order

Primary Residential, Single Line Business, Non-Primary Residential, and BRI ISDN Lines

	FTR	Tier 2	MN & IA	Total
Primary Residential Lines (includes Lifeline)	4,124,985	1,970,486	1,383,235	7,478,706
Single Line Business Lines	173,003	297,371	75,422	545,796
Non-Primary Residential Lines	82,114	154,584	98,868	335,566
BRI ISDN Lines	76,585	13	0	76,598

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Appendix B Line Count Data Formation & Identification

Methods Used for FTR and the T2's

I. Line Count Data Formation
(Use all that apply.)

II. Line Count Data Identification
(Report in Classification Sequence.)

	Sources	Search	Collection	Time Period	First	Second	Third	Fourth
Primaray Residential Lines	D1	S1, S2	C2	T2 Jan-Dec 1996	L3	A2	A6	
Single Line Business	D1	S1	C2	T2 Jan-Dec 1996	N5			
Non-Primary Residential Lines	D1	S1, S2	C2	T1 Oct. 1, 1997 & May 14, 1997	L3	A2	A6	
BRI - ISDN Lines	D1	S1	C2	T2 Jan-Dec 1996	N5			

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Appendix B Line Count Data Formation & Identification

Methods Used for MN & IA

I. Line Count Data Formation (Use all that apply.)

II. Line Count Data Identification (Report in Classification Sequence.)

	Sources	Search	Collection	Time Period	First	Second	Third	Fourth
Primaray Residential Lines	D1	S0, S2	C2	T2 Jan-Dec. 1996	L3	A2	A6	
Single Line Business	D1	S0, S2	C2	T1 Feb 10, 1998	N5			
Non-Primary Residential Lines	D1	S0, S2	C2	T1 May 14, 1997	L3	A2	A6	
BRI - ISDN Lines	D1	S1	C2	T2 Jan-Dec. 1996	N5			

Direct Case of the Frontier Telephone Companies

Appendix B Implementaion of Definition Worksheet

Methods Used by All Frontier Telephone Companies

Implementation of Definition - Based on your RESIDENTIAL LINE definitions, please classify the data in the last column below as a P for Primary Residential or NP for Non-Primary Residential lines. You may add columns and/or show additional criteria needed to illustrate the implementation of your line definitions.

Customer	Billing Account No.	Line Location	Phone Numbers	Installation Date (Order)	Service/Inv. Work Order No.	Billing Address	P/NP Decision
N. Adams	555-1111 6789	123 Elm #1	555-1111	1/1/96 (1)	6789 - 1111	P.O.	P
			555-1112	1/1/96 (2)	6789 - 1112	Box 123	NP
P. Adams	555-2222 6789	123 Elm #1	555-2221	5/5/96	6789 - 2221	P.O.	NP
			555-2222	4/5/96	6789 - 2222	Box 123	P
P. Adams	555-3333 4567	123 Elm #2	555-3333	3/3/96	4567 - 3333	P.O. Box 123	P
P. Boyd-Adams	555-4444 5678	123 Elm #2	555-4444	4/5/96	5678 - 4444	P.O.	P
			555-4448	7/5/96	5678 - 4448	Box 123	NP
F. Boyd-Adams	555-4447 5678	123 Elm #2	555-4447	5/5/96	5678 - 4447	P.O. Box 123	P

Direct Case of the Frontier Telephone Companies

Comprehensive List of Exogenous Adjustments Reallocating Costs Among
Among Baskets, Bands, or to Non-Price Cap Services
As Required by Paragraph 51 of the Designation Order

Transmittals Involved	Effective Date	Exogenous Change	What Shifted	Methodology Used	Notes
1 Rochester Telephone Corporation Trans. 196 Vista Telephone Companies Trans. 19	7/1/93 7/1/93	Part 69 Change in allocation of GSF	Shifted Costs from Traffic Sensitive and Special Access baskets to Common Line basket	Part 69 Revenue Requirement at Authorized RoR	
2 Rochester Telephone Corp. Trans. 19 Rochester Telephone Corp. Trans. 21 Frontier Communication of Minnesota and Iowa Trans. 6	4/15/97 4/30/97 4/15/97	Part 64/Part 32 Change deregulating payphone customer premise equipment	Shifted Costs from Common Line basket to deregulated	Pecentage of Part 69 Revenue Requirement Applied to basket Revenues	Methodology specifically ordered by Commission
3 Rochester Telephone Corp. Trans 23 Frontier Communication of Minnesota and Iowa Trans. 8	7/1/97	TIC Targeting	Shifted reduction in costs for Common Line and Traffic Sensitive baskets to Trunking basket; Targeted these reductions plus Trunking reduction to the TIC band	Portion of PCI change due to GDPPI - X and "g", expressed as price cap allowed revenue	Methodology specifically ordered by Commission
4 Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	Commission Ordered TIC True-Up	Shifted revenues from TIC to TS and Common Line	Revenue	
4a Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	Part 61 Creation of Marketing basket	Shift of Marketing Expense from Common Line, Traffic Sensitive, and Trunking baskets to new Marketing basket	Part 69 expense identification	
4b Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	Part 69 change in allocation of Line Ports	Shifted costs from Local Switching band of TS basket to Common Line basket	Part 69 Revenue Requirement at Authorized RoR	
4c Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	Part 61 Creation of Trunk Ports band	Shifted costs from Local Switching band to Trunk Ports band in TS basket	Revenue Requirement per unit at Authorized RoR	

Direct Case of the Frontier Telephone Companies

Comprehensive List of Exogenous Adjustments Reallocating Costs Among Among Baskets, Bands, or to Non-Price Cap Services

As Required by Paragraph 51 of the Designation Order

	Transmittals Involved	Effective Date	Exogenous Change	What Shifted	Methodology Used	Notes
4d	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	Part 69 change in allocation of COE maintenance expense	Shifted costs from Common Line and Trunking baskets to Traffic Sensitive basket; for Tier 2's, shift in opposite direction	Part 69 Revenue Requirement at Authorized RoR	
4e	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	Part 69 change in allocation of GSF investment	Shifted costs from price cap services to B&C; for FTR, shifted costs from Trunking and Traffic Sensitive to B&C and Common Line	Part 69 Revenue Requirement at Authorized RoR	
4f	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	Part 69 Creation of STP Ports band	Shifted revenues from DS1 subindex in Trunking basket to STP Ports band in Traffic Sensitive basket	Moved existing demand, rates, and revenue	
4g	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	TIC rate restructure: SS7 Cost shift	Shifted costs from TIC band in Trunking basket to Local Switching band in TS basket	Percent of current Tandem RRQ applied to Commission defined Tandem RRQ in TIC	
4h	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	TIC rate restructure: 1/3 of Tandem RRQ	Shifted costs from TIC band to Tandem Transport band in Trunking basket	Commission-defined Tandem RRQ in TIC	Methodology specifically ordered by Commission
4i	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	TIC rate restructure: Tandem Ports	Shifted costs from TIC band to Tandem Transport band in Trunking basket	Revenue Requirement per unit at Authorized RoR	
4j	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	TIC rate restructure: Tandem Transport rate reinitialization	Shifted costs from TIC band to Tandem Transport band in Trunking basket	Commission-ordered rate setting methodology compared to existing rates	
4k	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	TIC rate restructure: Host-Remote costs	Shifted costs from TIC band to Tandem Transport band in Trunking basket	Comparable direct trunked rates as surrogate for costs, consistent with tandem transport reinitialization	
4l	Frontier Telephone of Rochester, Inc. Trans. 2 Frontier Communication of Minnesota and Iowa Trans. 10	1/1/98 1/1/98	TIC rate restructure: Tandem Multiplexers	Shifted costs from TIC band to Tandem Transport band in Trunking basket	Comparable direct trunked rates as surrogate for costs, consistent with tandem transport reinitialization	

Direct Case of the Frontier Telephone Companies

Analysis of Basket Level Exogenous Cost Change Impact on TIC

	Description	Source	FTR	Tier 2's	MN & IA
1	TIC Rev at last PCI Update	RTE-1 L 1080 Col E	2,263,464	523,596	829,051
2	Trunking Rev at last PCI Update	RTE-1 L 4970 Col E	16,486,426	7,958,315	3,921,601
3	Basket-Level Undesignated Exogenous	EXG-2 L 519	(1,031,265)	28,308	(172,694)
4	COE Maintenance	EXG-1 L 560 Col P	(616,690)	183,709	(107,363)
5	GSF	EXG-3 L 300 Col A	(414,576)	(155,401)	(65,331)
6	Basket Level to TIC	Ln 3 * (Ln 1 / Ln 2)	(141,585)	1,862	(36,509)
7	COE Maintenance to TIC	Ln 4 * (Ln 1 / Ln 2)	(84,667)	12,087	(22,697)
8	GSF to TIC	Ln 5 * (Ln 1 / Ln 2)	(56,918)	(10,224)	(13,811)
9	Basket Level Exog Not Accounted For	Line 6 - Line 7 - Line 8	(0)	0	0
10	Total Exogenous Costs Targeted to TIC	EXG-2 L 200	(785,088)	(122,427)	(257,222)
11	Total TIC Impact of Exogenous Changes	Line 10 + Line 6	(926,673)	(120,565)	(293,730)

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Analysis of Marketing Expense Exogenous Cost Change

	Description	Source	FTR	Tier 2's	MN & IA
1	Marketing Expense in CCL RRQ	Cost Study	283,899	378,559	173,652
2	Marketing Expense in TS RRQ	Cost Study	96,536	228,582	73,960
3	Marketing Expense in Trunking RRQ	Cost Study	167,303	81,525	27,912
4	Common Line Exogenous Change	-1 * Line 1	(283,899)	(378,559)	(173,652)
5	Traffic Sensitive Exogenous Change	-1 * Line 2	(96,536)	(228,582)	(73,960)
6	Trunking Exogenous Change	-1 * Line 3	(167,303)	(81,525)	(27,912)
7	Marketing Exogenous Change	Sum of Lines 1..3	547,738	688,666	275,524
8	Trunking Exogenous Cost--Marketing	Line 6	(167,303)	(81,525)	(27,912)
9	Trunking Revenues--TIC	FTR Trans 2, MN & IA Trans 10	2,263,464	523,596	829,051
10	Trunking Revenues--Tandem Transport	FTR Trans 2, MN & IA Trans 10	1,419,606	2,823,758	407,211
11	Trunking Revenues--Switched VG	FTR Trans 2, MN & IA Trans 10	3,319	7,246	0
12	Trunking Revenues--Switched DS1	FTR Trans 2, MN & IA Trans 10	1,247,101	901,310	68,935
13	Trunking Revenues--Switched DS3	FTR Trans 2, MN & IA Trans 10	277,211	22,028	21,031
14	Total Switched Trunking Revenues	Sum of Lines 9..13	5,210,701	4,277,938	1,326,228
15	Marketing Exogenous Chg--TIC	Line 8 * Line 9 / Line 14	(72,674)	(9,978)	(17,448)
16	Marketing Exogenous Chg--Tdm Trans	Line 8 * Line 10 / Line 14	(45,580)	(53,813)	(8,570)
17	Marketing Exogenous Chg--Voice Grade	Line 8 * Line 11 / Line 14	(107)	(138)	0
18	Marketing Exogenous Chg--DS1	Line 8 * Line 12 / Line 14	(40,041)	(17,176)	(1,451)
19	Marketing Exogenous Chg--DS3	Line 8 * Line 13 / Line 14	(8,901)	(420)	(443)

Direct Case of the Frontier Telephone Companies

Analysis of Methods of Calculating the TIC True-Up, in AT&T Format

	Description	Source	AT&T Method	Frontier Method	End Result Method
100	"Current" TIC (6/30/97)		1,105,562	1,105,562	1,105,562
	TIC Removal Costs				
200	EOS/STP SS7 Link	No SS7 costs at Tier 2's	0	0	0
210	Tdm Switch Trunk Port	Trans. 2 Exhibit 1-2 Line 55	23,667	23,667	23,667
220	Tandem SS7	Trans. 2 Exhibit 1-2 Line 56	0	0	0
230	Tandem Switch Revenue	Trans. 2 Exhibit 1-2 Line 53	157,988	157,988	157,988
240	Host/Remote	Trans. 2 Exhibit 1-2 Line 57	251,732	251,732	251,732
250	Actual vs. 9000 Reinitialization	Trans. 2 Exhibit 1-2 Line 59	(131,050)	(131,050)	(131,050)
260	Zone Differentiation	Zones not implemented	0	0	0
270	Marketing	Trans. 2 Exhibit 1-2 Line 54	9,978	9,978	9,978
280	COE Maintenance	-1 * Exhibit 5, Line 7	(12,087)	0	0
290	EO/Tandem Mux	Trans. 2 Exhibit 1-2 Line 58	26,101	26,101	26,101
292	GSF & Weighted DEM	-1 * Exhibit 5, Line 8	10,224	0	0
295	Total TIC Removal Costs	Sum of Lns 200..295	336,553	338,416	338,416
300	Recalculated TIC (ln 100 - ln 295)		769,009	767,146	767,146
	Remaining Facilities Based Portion of TIC				
400	Unitary Transport Price Restructure	Trans. 2 Exhibit 1-13, Line 18	85,193	85,193	85,193
410	2/3 Tandem Switch Reallocation	Trans. 2 Exhibit 1-12, Line 24	315,976	315,976	315,976
430	Total Fac. Based Portion of TIC	Line 400 + Line 410	401,169	401,169	401,169
500	New Residual TIC (ln 300 - ln 430)	Line 300 - Line 430	367,840	365,978	365,978
600	Targeted TIC (AT&T) or annual filing chg in TIC revenue (Frontier, End Result)	Col a: sum of PCI-1 Line 237c Col b: Sum-1 Line 150 Col E Col c: Col b + Line 830	608,059	581,966	580,103
700	Excess Targeted TIC	Line 600 - Line 500, but not less than zero	240,219	215,988	214,126
800	12/31/97 TIC	Trans. 2 SUM-1 Line 150 Col B	523,596	523,596	523,596
810	TIC Targeted exogenous changes	Line 295 - Line 700	96,334	122,427	124,290
820	TIC before Non-Targeted effects of Trunking Basket	Line 800 - Line 810	427,262	401,169	399,306
830	Non-Targeted TIC Impacts	zero for AT&T; else -1 * Exhibit 1, Line 10 for Tier 2;	0	(1,862)	(1,862)
840	1/1/98 Allowable TIC	Line 820 - Line 840	427,262	403,031	401,169

Exhibit 8

Direct Case of the Frontier Telephone Companies

End User Revenues by Basket and Band

For the Period January 1, 1997 to June 30, 1997

	Basket/Band	Source	FTR	Tier 2's	MN & IA
1	Common Line Basket: EUCL	FCC Form 457	9,033,517	5,116,506	3,694,217
2	Voice Grade Special Access	Analysis of FCC Form 457	69,287	110,003	0
3	Program Audio Special Access	Analysis of FCC Form 457	2,954	0	0
4	DS1 Special Access	Analysis of FCC Form 457	515,416	30,707	0
5	DDS Special Access	Analysis of FCC Form 457	74,077	92,338	0
6	Total Trunking Basket	Sum of Lines 2..5	661,734	233,048	0
7	Total Interstate End User Revenue	Line 1 + Line 6	9,695,251	5,349,554	3,694,217
8	Annualized Universal Service Obligation	FTR Trans. 2, MN & IA Trans. 10	1,741,930	811,618	633,705
	Allocation of Obligation to Baskets and Bands:				
9	Common Line USF Exogenous Change	Line 8 * Line 1 / Line 7	1,623,038	776,260	633,705
10	Trunking USF Exogenous--Voice Grade	Line 8 * Line 2 / Line 7	12,449	16,689	0
11	Trunking USF Exogenous--Program Audio	Line 8 * Line 3 / Line 7	531	0	0
12	Trunking USF Exogenous--DS1	Line 8 * Line 4 / Line 7	92,604	4,659	0
13	Trkg USF Exogenous--HiCap Undesig.	Line 8 * Line 5 / Line 7	13,309	14,009	0
14	Total Trunking USF Exogenous	Line 8 * Line 6 / Line 7 = sum of lines 10..14	118,893	35,357	0